

IBM-Lexmark Deal: Time for Enterprises to Stop and Think

Ken Weilerstein, James Lundy

IBM has refreshed its workgroup printer line by tapping Lexmark International as an original equipment manufacturer (OEM). The deal will benefit both vendors, but enterprises should not automatically accept it or reject it.

NEWS ANALYSIS

Event

On 26 June 2001, IBM announced the Infoprint 1000 line of workgroup printers. These monochrome printers have speeds of 20 pages per minute (ppm) to 45 ppm:

- Infoprint 1120 (with a base price of \$721, available on 19 October 2001)
- Infoprint 1125 (\$928, 19 October)
- Infoprint 1130 (\$1,199, 27 July in North America and 24 August in Europe)
- Infoprint 1140 (\$1,759, 27 July in North America and 24 August in Europe)
- Infoprint 1145 (\$2,992, 19 October — Fuji-Xerox makes the printer engine for Lexmark)

Lexmark will supply the new printers to IBM under an OEM agreement. They will use the same printer engine, controller, and printer management and installation software that Lexmark uses in its own printers. As with the printers that they replace, IBM's sales force will sell the new models — mainly to IBM customers that will include the printers in their overall service contracts with IBM.

Analysis

This deal gives IBM a quick way to refresh its product line and stimulate sales with new customers. The deal demonstrates IBM's commitment to office printing since Lexmark has a top brand name with a strong, quick-to-market development team, extensive technical support and a fresh lineup of printers that use the same supplies across the different letter-size models. Lexmark will gain the economies of scale in its manufacturing that it needs to compete with giant Hewlett-Packard (HP). By selling printers under the IBM logo, Lexmark may be able to win customers that previously never looked past HP.

Enterprises should avoid accepting the new lineup uncritically or rejecting it out of hand. IBM customers should instead assess their own best prospects in light of two trends: increased color printing by ordinary office workers and the move away from single-function hardcopy devices toward multifunction products (MFPs), which do at least two of the following: printing, copying, scanning and faxing. Before making a decision about the new printers, enterprises should consider the following:

- Does the benefit of bundling the enterprise's printer service contract with its computer contracts make the most sense, or should the enterprise purchase workgroup printers together with MFPs?
- If the latter, Lexmark's printer-centric MFPs, which IBM could later incorporate into its product line, will probably not meet all of the enterprise's needs, and it should also consider more extensive copier-centric products from Canon, Ricoh and Xerox.
- Enterprises should note that IBM has no track record with MFPs, and its commitment to them remains unclear. IBM has left the multifunctional Lexmark versions out of its line, at least for the moment.
- IBM may not be able to rely solely on Lexmark to obtain a wide range of color printer models to satisfy many customers. For example, Lexmark's only color A3-size laser

printer is outdated. Also, until Lexmark develops its own color laser printing engines, Lexmark's customers will depend doubly on Lexmark and on its OEMs.

Analytical Sources: Ken Weilerstein and James Lundy, Integrated Document & Output Management

REGIONAL HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters
Level 7, 40 Miller Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Latin America Headquarters
Av. das Nações Unidas 12.551
9 andar—WTC
04578-903 São Paulo SP
BRAZIL
+55 11 3443 1509